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CANADIAN
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Lethbridge, Alberta
in Profile

The Times They
Are a Changin': A
Reversal of Trends in
Interprovincial
Migration

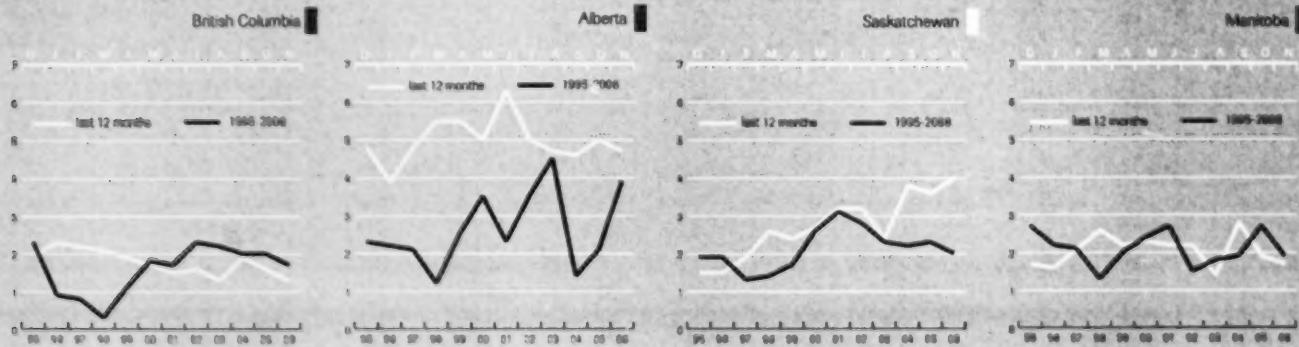
Smooth Border
Trade Means
Prosperity

CanadaWest
FOUNDATION

Our Vision
A dynamic and prosperous
West in a strong Canada.

Our Mission
A leading source of strategic
insight, conducting and
communicating non-partisan
economic and public policy
research of importance to
the four western provinces
and all Canadians.

CPI Inflation, annual (%)



CURRENTS

Western Canada's
Monthly Economic Bulletin

January 2008

a Canada

Foundation publication

Monthly Highlights

Total employment for the country fell in December after seven months of increases. However, the national unemployment rate held firm at 5.9%. Alberta stood out as the only province with strong employment growth in the final month of 2007.

Alberta led the country in employment growth in 2007 and had the lowest annual average unemployment rate. Although Saskatchewan posted the second lowest annual average unemployment rate—tied with BC—annual employment growth in the province was not outstanding.

Alberta again posted the largest year-to-date percentage increase in average weekly earnings. Earnings growth in Saskatchewan and Manitoba surpassed the national figure while BC trailed slightly.

Nationally, the rate of inflation edged up a tenth of a percentage point to 2.5%. Both the lowest and highest provincial inflation rates came from the West—BC at 1.3% and Alberta at 4.7%. Saskatchewan's inflation rate remained at 4.0%, the second highest in the country. On the heels of a significant drop in the previous month (from 2.8% to 1.9%), Manitoba's inflation rate fell again to 1.7%.

While housing starts are flat nationally through November 2007, total starts in Saskatchewan are up 60.4% from 2006. Housing starts in Alberta are down 0.6%.

After six consecutive months of increases, Saskatchewan's retail sales dropped slightly in October. Alberta, on the other hand, witnessed its first increase in four months. Compared to 2006, retail sales from January to October 2007 are up 11.8% in Saskatchewan, 9.4% in Alberta, 9.0% in Manitoba, and 6.9% in BC. The increase in the rest of Canada trailed at 4.2%.

Monthly Economic Statistics		BC	AB	SK	MB	Canada	Reference Month
Employment (SA, 000s)		2,291.4	1,990.9	504.4	598.7	12,009.9	December
% change, yoy	3.3	4.3	0.3	1.9	2.2		
Unemployment rate (SA, %)	4.2	3.2	4.0	4.2	5.8		December
Participation rate (SA, %)	66.4	74.3	69.3	69.2	67.7		December
Average weekly earnings (SA, \$)	768.26	853.89	738.81	712.36	726.48		October
% change, Jan-Oct 2007 average, yoy	2.7	4.6	4.2	4.0	3.3		
CPI inflation, annual (%)	1.3	4.7	4.0	1.7	2.5		November
Building permits, residential (SA, \$ millions)	855.0	639.2	88.1	71.6	4,058.1		November
% change, Jan-Nov 2007, yoy	12.2	12.2	76.6	17.4	10.5		
Building permits, non-residential (SA, \$ millions)	272.6	758.3	40.4	41.9	2,634.9		November
% change, Jan-Nov 2007, yoy	-2.5	19.7	37	-4.1	15.5		
Housing starts (SAAR, 000s)	478	42.6	5.1	5.0	228.5		November
% change, Jan-Nov 2007, yoy	8.5	-0.6	60.4	13.1	8.6		
Retail trade (SA, \$ millions)	4,745	5,104	1,103	1,201	34,466		October
% change, Jan-Oct, yoy	6.9	9.4	11.8	9.0	5.7		
Wholesale trade (SA, \$ millions)	4,458	5,600	1,317	1,172	43,895		October
% change, Jan-Oct, yoy	5.0	5.9	15.4	8.5	5.1		
Manufacturing sales (SA, \$ millions)	3,589	5,522	915	1,271	50,183		October
% change, Jan-Oct, yoy	2.1	1.1	0.1	9.6	1.2		

Source: Statistics Canada. *yoy=year-over-year; SA=seasonally adjusted; SAAR=seasonally adjusted at annual rates

Did you know?

On January 13, 1975, the coldest wind chill ever recorded in Canada occurred at Kugaaruk, Nunavut. A temperature of -51°C combined with winds of 56 km/h to produce a wind chill of -78.

In the third quarter of 2007, more people moved from Alberta to other provinces than moved in from other provinces. Alberta has not recorded net outflow to other provinces since in the fourth quarter of 1994.

Manitoba has the highest rate of snowblower ownership in the West. One in four Manitoba households (excluding apartment dwellers) own one.

Between 2001 and 2006, more than 1.1 million immigrants came to Canada.

3.1% of households in Calgary have an annual income over \$250,000, the highest proportion of all census metropolitan areas in Canada.

City in Profile: Lethbridge, Alberta

Lethbridge is located in the southern portion of Alberta, roughly 200 km south of Calgary and 100 km north of the US border. Lethbridge's geographical location makes it one of the warmest cities in Canada as well as one of the sunniest, with more than 320 days of sunshine per year.

As of 2007, the city's population was 81,692. Between the 2001 and 2006 Census, Lethbridge grew almost 11%, on par with the province as a whole.

Agriculture is the main industry in southern Alberta and plays an important role in the city's economy. However, as the city's population and economy have expanded, its economic base has become more diversified. Service and trade industries generate more than half of all the occupations in Lethbridge. Other occupations are diversified across the industries of manufacturing, public sector services; construction, transportation, finance, insurance and real estate, and food processing.

Major private sector employers include Convergys (call centre), Sun Life Financial (financial services), H & R Transport (trucking), and Triple M Housing (manufactured housing). The city is also home to the University of Lethbridge. With approximately 8,000 students, the U of L has a strong presence in the community.

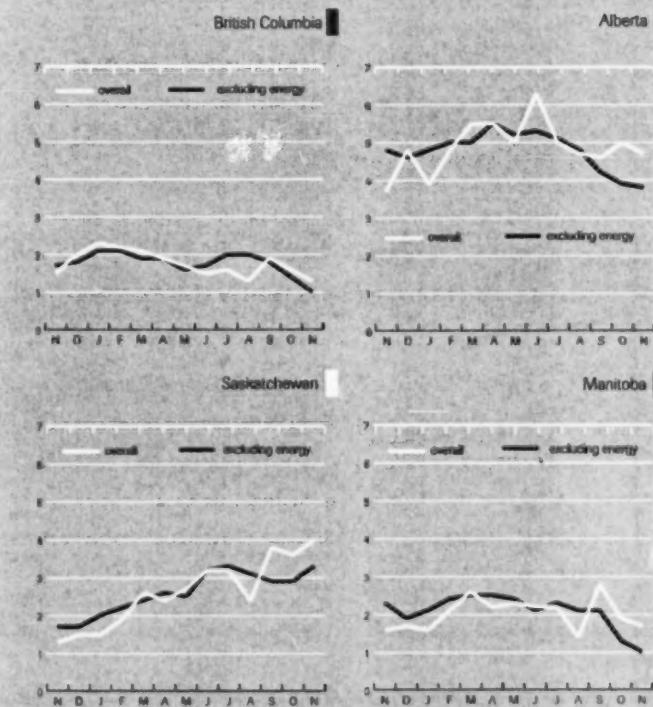


BEHIND THE NUMBERS

Provincial inflation rates can vary considerably from month to month. One of the main reasons behind large and sudden movements in the rate of inflation is the volatility of prices of gasoline, electricity and natural gas.

The figures on the right show overall inflation along with the rate of inflation excluding energy. With energy excluded, the inflation rate follows a path that is much more stable. As an example, the overall rate of inflation in Manitoba went from 1.4% in August to 2.8% in September. Excluding energy, the rate of price inflation in Manitoba held steady at 2.1% in August and September.

CPI Inflation, Overall and Excluding Energy (Percentage change from same month of the previous year)



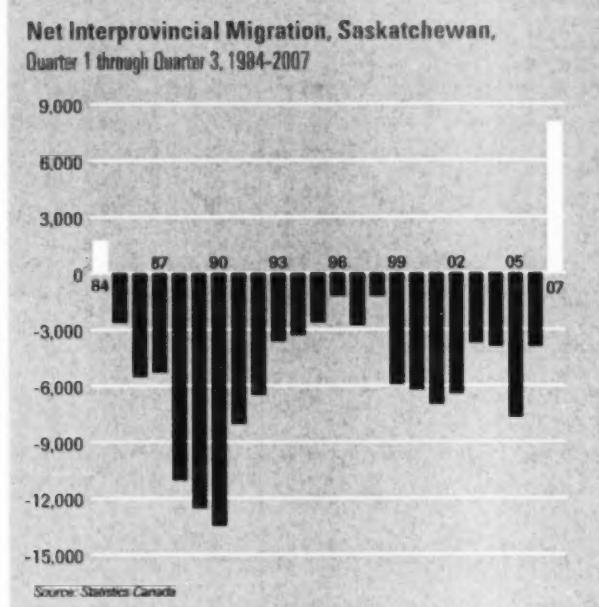
Source: Statistics Canada.

MONTHLY FEATURE

THE TIMES THEY ARE A-CHANGIN': A REVERSAL OF TRENDS IN INTERPROVINCIAL MIGRATION



University of Lethbridge campus in Lethbridge, Alberta



September, something that has not happened for decades. Its population broke one million for the first time since 2001. According to Statistics Canada, this is largely due to the shift in interprovincial migration. The movement of people from Alberta to Saskatchewan has played a key role. Of the 8,000 people that Saskatchewan gained in the first three quarters of 2007, 70% was due to net gains from Alberta.

During the 22 year stretch over which Saskatchewan lost people to other provinces, it lost 164,000 people, the equivalent of 16% of its current population. Alberta gained 251,000 over this period, 108,000 from Saskatchewan.

It remains to be seen how long this reversal in trends in interprovincial migration will continue.

Saskatchewan garnered a fair amount of attention in 2007 due to the performance of its economy. Solid prices for oil, agricultural products, potash, and uranium have boosted economic activity. Sales of Crown land for oil and gas development hit a record high. The oil and gas sector is one of the main reasons for Saskatchewan's economic success. Mining is also playing a big role. The world's largest producer of fertilizer—Saskatoon-based PotashCorp—recently announced a \$1.8 billion expansion to one of its Saskatchewan mining operations. Strong global demand for potash, uranium, and other commodities, combined with activity in the construction sector, suggest that Saskatchewan will experience strong growth for the next few years.

The province's robust economy is reflected in data for housing starts, building permits, and retail sales, all of which are up significantly. Saskatchewan's unemployment rate is among the lowest in Canada. The demand for skilled workers is very high and there have been real gains in wages and salaries.

Something else has changed as well. The loss of people to other provinces, notably Alberta, has been reversed. Saskatchewan has finally experienced positive net interprovincial migration. In other words, more people have recently moved to Saskatchewan from other provinces than have left.

Indeed, Statistics Canada's most recent demographic figures included a lot of good news for the province:

- Annual net interprovincial migration in 2006/07 was positive for the first time since 1983/84
- Saskatchewan recorded four consecutive quarters of positive net interprovincial migration for the first time since 1983/84
- In the third quarter of last year, net interprovincial migration hit a record high for the province.

As a result, Saskatchewan led the country in population growth from July to



Smooth border trade means prosperity

by Dr. Jason Bristow, Senior Policy Analyst

The Canada West Foundation recently gathered together a group of young western Canadian business leaders to hear their views on topics such as diversifying a resource economy and competing with China's low labour costs.

These real concerns, however, were quickly set aside when one of the participants stood up and demanded to know more about the Security and Prosperity Partnership and how this was "smuggling" a North American union into existence. It was as if he'd lobbed a stink bomb into the room.

The SPP was initiated by Canada, the US and Mexico in March 2005, with the intent to improve the tri-lateral trade and investment relationship.

It was to have dealt with more than 300 tariff and regulatory barriers, border administration and infrastructure, and security procedures. The SPP was both a structure—an informal initiative, not a binding treaty—and a process, driven by bottom-up bureaucratic policy development, not top-down trade negotiations.

Unfortunately, the SPP has collapsed under a heap of conspiratorial rubbish. This is a shame because, in both letter and spirit, the agreement was about improving the trade relationship among the three countries, not creating a political union.

First, it was about reducing delays at the border. The number of semi-trailer trucks crossing the border has soared, with bilateral trade now at \$575 billion a year. Under the SPP, customs pre-clearance would have been relocated to primary inspection facilities a few kilometers away from the border on each side, thus separating passenger traffic from commercial and dramatically reducing delays. Regrettably, this will no longer happen.

Second, it was about eliminating the redundancy, where advisable, of producing goods for the two markets. The redundancy sometimes affects labels and packaging. Clothing companies produce two sets of wash and care labels for the same clothes, while breakfast cereal makers must display different nutritional labels in each country.

Other times the redundancy affects content. Variations of the same deodorant and sunscreen are produced because they are regulated as pharmaceuticals in one country but not the other. Cheese-flavoured popcorn sold in Canada must have no more than 49% real cheese, while in the US it must be no less than 53%.

Although some regulatory differences, such as pesticide levels allowed on fruits and vegetables, are worth debating (and even retaining), by harmonizing or mutually recognizing regulations on food, personal care products, clothing and in other areas, the SPP would have eliminated the need to make slightly different products or packaging for two markets. This would have lowered retail prices ultimately. This, too, no longer will happen.

Third, it was about reducing or eliminating the tariffs that remain in place between Canada and the US. Even with a free trade agreement, trade isn't free in all product categories. To pursue tariff elimination is to simply work on the unfinished business of NAFTA. This, unfortunately, will no longer happen.

Fourth, it was about streamlining customs clearance at the border. SPP programs such as Partners in Protection (PIP), Customs Self-Assessment (CSA), and Free and Secure Trade (FAST) expedited customs clearance for enrolled shippers and importers.

The transaction costs on cross-border commerce would drop, to the benefit of consumers, and border agents could redirect their energy from routine administration and revenue collection to interdiction of illegal substances and people. This, lamentably, will no longer happen.

These are all losses that add up to two big pictures.

The first is trade. Some of the SPP initiatives would have further liberalized trade, but the majority of the initiatives would have simply recovered the ground lost since 9/11. Border delays, customs administration and security policies have combined to raise the costs of trade more than the benefits delivered by NAFTA's tariff reductions and eliminations.

The second big picture is the connection between trade and competitiveness. Intra-industry and intra-firm trade contributes directly to competitiveness because it allows companies to rationalize production and set up the most profitable supply chains and customer relationships. Canadian competitiveness needs all the help it can get, given the reality of Chinese competition based on cheap labour.

Sadly, none of this will happen.

The SPP would have done many things, but the outrage expressed by the participant at our event is all too common. The mainstream opinion about Canadian prosperity requiring access to the US market has been marginalized, and the marginalized opinions of Lou Dobbs and Maude Barlow have become the mainstream.

Sometime between March 2005 and December 2007, the SPP has been twisted into a grand conspiracy to foist a political union on to a duped citizenry. As a result, the deal has no future.

When Canada and the US decide again to collaborate on smoothing cross-border commerce (and we need to do this), government officials and business must speak out—loudly, plainly and repeatedly—why such an initiative is about Canadian prosperity and not a secret conspiracy. ■

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